

Belkin Columbia Sugar Refining Co. Ltd.

BC Sugar Refinery, Ltd. Annual Report 1975



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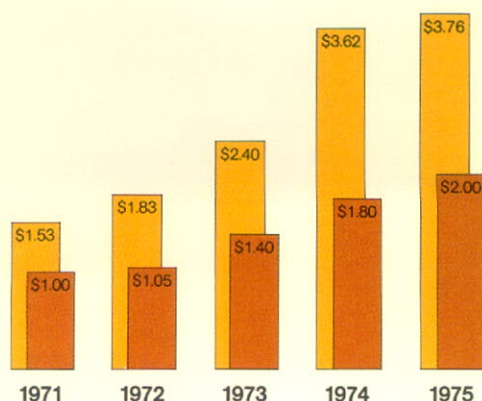
BC SUGAR was founded in 1890 and has carried on business for 85 years. Through its prairie divisions, Canadian Sugar Factories in Alberta and Manitoba Sugar, the Company manufactures beet sugar for the prairie market and dried beet pulp and feed molasses for the Western Canadian livestock industry. At Vancouver, the Company operates a cane sugar refinery which produces white sugar for the British Columbia market and specialty sugars and syrups for the Western Canadian market. The Company also has an interest in Belkin Packaging Ltd., which manufactures paperboard, folding cartons and corrugated containers for the Canadian market.

Five-Year Summary

(years ending September 30)

	1971	1972	1973	1974	1975
Per common share					
Earnings	\$1.53	\$1.83	\$2.40	\$3.62	\$3.76
Dividends*	1.00	1.05	1.40	1.80	2.00
Market price—High	20¾	24	23½	24	23¾
—Low	14¼	17	18½	17	17½
Price/earnings ratio—High	14	13	10	7	6
—Low	9	9	8	5	5
Number of common shareholders	3,223	3,342	3,478	3,614	3,668
Degree of Canadian registration of common shares	88%	89%	90%	89%	90%

Earnings and Dividends per common share



Earnings ■ Dividends* ■

*including extra paid in following year

To BC Sugar Shareholders

On behalf of the Board of Directors, I take pleasure in submitting the Annual Report for the year ending September 30, 1975.

The International Scene

It had been thought that the two previous years were tumultuous in the sugar world but all else has paled in comparison to this year. The fiscal year opened with the London Daily Price for raw sugar at £360 per ton. With increasing speed it raced to £650 by mid-November when a long decline began, resulting in the spot price falling to £159 per ton at September 30, 1975. Ten years ago, the world price of sugar was approximately £20 per ton so it can readily be understood that a thirtyfold increase to the £600 level was unrealistic, unsupportable and undesirable—it was equally unrealistic and undesirable at £20.

With the erratic sugar markets that existed throughout the year, it was not surprising that very strange movements of sugar took place in the free world market. The excitement of skyrocketing prices attracted many people who never before had an interest in sugar. Wild offers were made in many countries, including Canada, and these soon came to be known as "phantom sugars." As prices subsided by mid-1975 these phantom dealers disappeared from the marketplace and much of the panic they generated went with them.

The United States Sugar Act expired at the end of 1974 and as a result the United States joined Canada and Japan as major buyers on the world market. For forty years the United States had been isolated from world sugar affairs but for this privilege American raw sugar costs were higher than those of many other countries. However, such higher prices assured Americans of sugar supplies and provided stability to the domestic sugar industry, both beet and cane. The premium prices paid by the United States under special agreements, together with other special

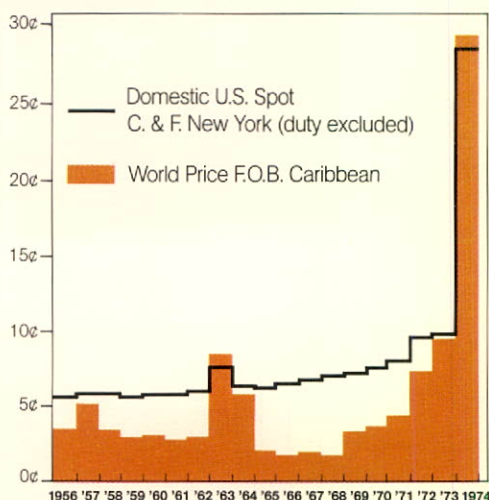
bilateral agreements such as the Commonwealth Sugar Agreement with Great Britain, enabled world market exporters to survive during times of very low world prices.

Occasionally, however, temporary world shortages or threats of shortages pushed the world price above the United States price. The accompanying chart indicates that this has occurred twice since 1956.

What future action, if any, the United States might take in adopting a new National Sugar Policy is uncertain. As long as prices are at reasonable levels, it may be expected nothing will happen but should depressed prices reoccur, then unilateral action by the United States to protect its domestic agricultural industry is a distinct possibility. The alternative of a new workable International Sugar Agreement (with United States participation) seems to be a rather remote possibility.

For some years world sugar consumption had been increasing at a very steady rate due to population growth and higher per capita earnings, particularly in low-income countries. At the same time, due to extremely low world market prices, new production facilities were not keeping pace with increased demand, and when poor crops occurred, surpluses began to disappear and prices became

Raw Sugar (cents per lb., average for the year)



unrealistically high. When prices rose to an unprecedented level, consumption took a downward turn in most, if not all, countries. It remains to be seen whether the projection of world requirements of 100 million tons by 1980 will prove valid. When sugar was in excess of 50 cents per pound, buyer resistance to many foods was evident. At the time, of course, sugar was blamed but with a return to prices in the lower 20 cent range, the cost of sugar-containing goods has not declined to the extent expected, due to persistently increasing costs of labor and other materials. One may therefore view projections of consumption with some reservation. On the other hand, people must eat, and sugar as a supplier of energy is about the cheapest source of calories available to human beings.

The Canadian Scene

1975 saw a fresh surge of inflation in Canada. The immediate impact has been the subject of widespread discussion, but the long-term effects are even more harmful—a neglect of saving, an obsession with wages and prices, the abandonment of long-term goals for short-term desires, and a complete disregard for productivity. Mushrooming government expenditures have compounded the dilemma. Federal expenditures alone have increased 400 per cent in the last 10 years. This fact, combined with others, has created a situation whereby on October 14 the Federal Government presented an economic program to Parliament calling for a national attack on inflation.

Throughout much of the last 12 months Canadians were subjected to politically expedient proposals of, for example, national sugar policies, significant increases in domestic beet sugar production, and possible long-term supply contracts for cane sugar at inevitably high prices. In the end, none of these things came to fruition.

Skyrocketing sugar prices gave food faddists and quasi-nutritionists a chance to air their views. A subsequent section of this report comments on the nutritional aspect of sugar.

In the November, 1974 Federal Budget refined sugar tariffs were again reduced, this time from \$1.40 to \$1.20 per 100 pounds, with no commensurate reduction in Canadian refiners' effective raw sugar duty. The move was motivated purely for political reasons, resulting from the myriad complaints received by the Federal Government regarding the cost of sugar. The effect of reduced tariffs on refined prices was minuscule at most. It should be pointed out that tariff protection for the Canadian industry is now virtually non-existent. This was studied at length in a report by the Food Prices Review Board which in August, 1975 commented, "... the Canadian sugar industry is offered only minimal tariff protection... it represents about 1 per cent of recent selling prices."

In spite of this, the Board recommended the complete elimination of sugar tariffs. Such a conclusion is, in the opinion of the Company, ill-advised. The mechanism of a preferential raw sugar tariff for traditional exporters has unquestionably enabled Canada to be virtually assured of supplies. Equal access for all exporters would not provide the incentive to maintain a supply that has served Canada so well in the past. Indeed, one need only look at Great Britain's difficulties last year in securing raw sugar supplies after the Commonwealth Sugar Agreement had expired to realize the sort of result which can occur when governments make changes that have not been thought through to a logical conclusion. Unless a viable alternative is found, the Company strongly urges retention of the present system which gives reasonable protection to the sugar industry while assuring Canada adequate supplies of raw cane sugar even in times of shortage. Of course, it should also be recognized that preferential tariff treatment for goods entering Canada has also included preferential treatment for Canadian exports in participating countries.

Beet Sugar

Beet sugar produced in 1974 was slightly short of requirements for the three prairie provinces. It was hoped that by increasing acreage this year in Alberta and Manitoba, production would balance sales requirements and allow for a reasonable carry-over in September, 1976. Unfortunately, an extremely wet spring in Alberta delayed planting and some expected acreage was not planted. Manitoba, on the other hand, will produce an excellent crop.

The growers' returns from the 1974 sugar beet crop will be a record in both provinces and will approximate \$50 per ton of beets. In the years of depressed prices growers received about \$17 per ton, which included a Federal Government support payment. With greatly increased growing costs, it is obvious that the historical returns would be inadequate today. Likewise, the share to the processor would be insufficient to cover processing costs. If the present world price of sugar is maintained, returns to growers and the Company should be satisfactory. This is predicated on a reasonable degree of control being exercised on cost increases, notably for labor, materials and, of course, energy—fuel being a major cost in sugar beet processing.

It should be noted that a reduction in sugar prices could result in a loss of sugar beet acreage due to acreage being diverted to other basic crops which might then command relatively higher prices.

Dried beet pulp and feed molasses again represented an important source of earnings, both to the growers and to the Company. The smaller crop last year reduced these earnings, though the price per ton for pulp and molasses was maintained at satisfactory levels. Indications are that similar prices will be achieved in the coming year.

Further capital spending on beet sugar facilities has been directed toward improving efficiency of the factories. Automatic centrifugals were

installed at Taber, thus completing the change in Alberta. All factories will have automatic filtration stations next year, thus eliminating an area that is quite inefficient. Further improvements were again made to beet receiving facilities in both Alberta and Manitoba.

In Manitoba, additional refined bulk storage now under construction will be available for 1975 crop sugar. This addition will reduce handling and storage costs and enable the Company to service the growing number of bulk and liquid customers in Manitoba.

On the labor scene, the Company and the unions involved in beet sugar operations agreed to new contracts covering a two-year period, subject to a wage reopener in 1976.

During the year the Alberta Sugar Beet Growers' Association celebrated its 50th year of service to its members, the industry and to Agriculture in Alberta. Half a century of service is a record of which the Association can be justly proud. The Company's partnership with over 1,300 growers in Alberta and Manitoba has been built up over many years on mutual trust and understanding.



Cane Sugar

The Company has not had a strike since 1917. Unfortunately, this record came to an end in early June. Wages paid at the refinery are already the highest of any refinery in the world and whatever settlement is ultimately made will widen the gap even more. British Columbia has become notorious for high wage settlements, and the results are higher unit costs for British Columbia manufacturers and higher prices for British Columbia consumers. When the relatively small scale of the British Columbia economy is considered, higher unit costs place industries of this province at a competitive disadvantage vis-a-vis the United States and Eastern Canada.

During the past year sales of cane sugar were drastically reduced by two factors. The first factor was the influx of American refined sugar towards the end of 1974. In the latter months of 1974 United States prices were temporarily lower than Canadian prices because the United States Sugar Act was still in force and Canadian prices were tied to a soaring world market. However, by early 1975, American and Canadian prices more or less equalized. The second factor was the strike at the refinery which further reduced sales and allowed American sugar to capture the British Columbia market. The strike has not only been costly to the Company and its employees but also has created a direct loss in terms of an outward flow in the country's balance of payments to purchase refined sugar and a loss of business to the refinery's local suppliers. The strike weapon is old-fashioned and often hurts the public at large more than it does the principal combatants.

The Company has always sought to provide the type of product and size of package desired by its customers. We sincerely regret that during the strike many specialty sugars have not been available in our market area.

Highly volatile commodity prices create high risks and additional financing problems. Because of the threat of a sudden drop in the world price of sugar, it was vital that the Company's cane sugar inventories be hedged on

the futures market. As the world price became increasingly volatile, the hedging of inventories became increasingly expensive, as the gap between the spot and futures prices widened. In late 1974 and early 1975, the world price moved by as much as \$2.50 per 100 pounds per day, requiring very substantial amounts of cash or credit to cover changes in the hedged position. However, the financial strength of the Company was sufficient to cope with the situation.

It is impossible to forecast with any assurance what the level of sugar prices will be for the coming year. With the price reduced to about \$15 per 100 pounds raw value, the break-even point for many efficient producers is being approached. It will prove to be uneconomic for most sugar-producing countries to produce raw sugar if the price goes much lower. This would result in a drop in production with an inevitable price reaction upwards such as occurred in 1974-75. Such a situation would be most undesirable. It should be added that to create new world supply capacity and to attract additional investment in completely new plants would require price levels approximating \$30 per 100 pounds.



Nutrition

As indicated earlier in this report, sugar has been the subject of attack from food faddists and quasi-nutritionists throughout much of the year. It is unfortunate that too often alarmists' opinions are given wide coverage in the world press in spite of the fact that their utterances bear little resemblance to the truth and contain few factual statements.

A number of articles have appeared under the headings below, but the basic facts are as follows:

The Diet

The essential constituents in the diet are protein, carbohydrates, fats, minerals and vitamins. Each of these has a definite and unique function to perform in human nutrition. Knowledgeable people will not eliminate any one of these basic items but rather will seek to eat a variety of foods containing all of the above. A proper diet for normally healthy people is a balanced diet.

Qualified nutritionists say that half of our calorie requirements have their origin in carbohydrates. In general, carbohydrates are amongst the cheapest of foods and their calorie cost is therefore the lowest from an energy point of view.

Sugar, a carbohydrate, is a natural food. It plays an important role supplying calories. Sugar also is a flavor enhancer, a preservative, and gives the most desirable texture to baked goods.

With an ever-increasing problem in producing food for the world's population, it is interesting to note that sugar requires the least amount of fertile land to produce a million calories. Some typical examples are:

Sugar	0.2 acres per million calories
Wheat	1.2 acres per million calories
Milk	2.8 acres per million calories
Chickens	9.3 acres per million calories
Beef	17.0 acres per million calories

Source: *Sugar in the Diet of Man* by Ronald M. Deutsch in *World Review of Nutrition and Dietetics*.

Tooth Decay

Sugar by itself does not cause tooth decay, although it is frequently blamed. Tooth decay is usually associated with neglect but if proper dental hygiene is maintained, dental caries can be reduced. This means proper cleaning of teeth, use of dental floss and, most important, regular visits to the dentist. Fluorides added to community water supplies have been shown to reduce dental decay by as much as 60 per cent and the cost of such preventive action is minimal.

Heart Disease

It has been claimed by a few researchers that sugar is a cause of coronary heart disease. This claim rests mainly on hypothesis. The evidence does not support the view that sugar in the amounts present in diets, such as those consumed in this country, is a causative factor in the development of heart disease.

Is sugar safe to eat?

In general, scientific reviewers conclude that sugar, like any other widely used food, is harmless when eaten in reasonable amounts. The leading Professor of Nutrition at Harvard has said: "Sugar, a pure carbohydrate, is an important nutrient when used in moderation. Studies of actual intake suggest that the percentage of calories taken as sugar are higher during the growing and adolescent years when energy demands are high, and lower during adult and later years. There being no valid evidence to the contrary, this rate of intake (between 10 and 30 per cent of total calories, with the average at 15 to 20 per cent) may be considered moderate. At these levels, sugar contributes to good nutrition and to the enjoyment of our meals..."



Financial

Earnings

Earnings derived from beet sugar, dried beet pulp and feed molasses were sufficient to raise total earnings for the year to a level slightly above last year. Earnings per common share were \$3.76 in 1975 compared to \$3.62 in 1974. Prior to shutdown in early June due to the strike, the Vancouver refinery operated at no profit. However, if a return to stable sugar market prices occurs, and if every effort is made to achieve economies and win back customers lost during the strike, it is expected that cane operations will return to a profitable position.

Financial Position

In inflationary times, as much emphasis must be placed on cash flow as on profit achievement. The cost of financing inventories and the requirement to pay income taxes on illusory inventory profits place a strain on cash resources. If inflation continues at its present rate, the Company will find it difficult to generate sufficient funds to carry out modernization programs at a satisfactory rate as well as maintain plants at peak efficiency. In the current year, funds generated from operations were sufficient to cover dividends, long-term debt repayments and capital expenditures on sugar facilities. Long-term borrowing capacity has therefore been conserved should another satisfactory acquisition become available.

Dividends

Regular quarterly dividends of 35 cents per Class "A" common share were maintained throughout the 1975 fiscal year. In addition, a year-end extra of 60 cents per Class "A" common share was declared payable January 26, 1976. In accordance with the Federal Government's new guidelines for dividends (announced on October 16), this year's extra dividend of 60 cents is the same as last year's amount. The current year marks the 77th consecutive year in which the Company has paid dividends.

Taxation

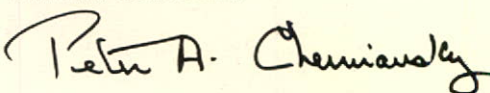
Taxation policies at the three main levels of government continue to influence business decisions. The federal tax incentives available to Canadian manufacturers and processors were a strong stimulus to the major plant expansion at Belkin Packaging Ltd. The June, 1975 Report of the Corporate Tax Measures Review Committee clearly indicates that these measures are having a significant effect in improving the competitive position of Canadian manufacturing and processing industries. Now that the measures have been extended indefinitely, accelerated growth in Canadian manufacturing may be expected.

During 1975 the Company submitted briefs and made appearances before various taxation committees in the Province of Alberta. The tax proposals put forward in the Alberta Government's Position Paper of January, 1975 should attract new investment to that province unless other factors such as unwarranted pollution control regulations have an offsetting effect.

Outlook

Earnings in 1976 may not match the levels of 1974 and 1975. So much is contingent upon the climatic conditions during the beet growing season and the all-important level of world sugar prices. The Company has a strong, diversified operating base with a sound financial position. Despite present problems, management is quite confident that the long-range future of the Company is bright. One must qualify these remarks by stating that increasingly precipitate actions by government, with the force of law behind such actions, make it extremely difficult to make economic forecasts. However, the Company will in the future, as in the past, continue to co-operate with government policy.

On behalf of the Board

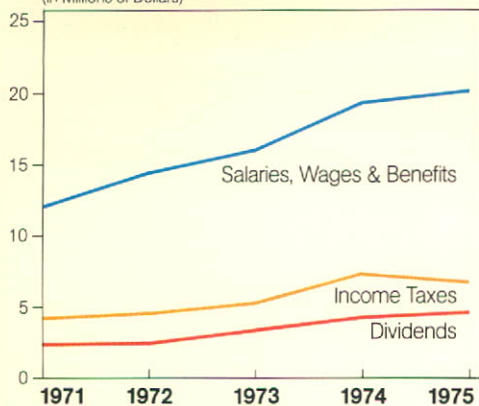


President.
BC Sugary Refinery, Limited.

December 2, 1975,
Vancouver, B.C.

Wages, Taxes and Dividends

(in Millions of Dollars)



Belkin Packaging Ltd.

Belkin Packaging was no exception to the many manufacturing companies in Canada adversely affected by difficulties associated with inflation, recession and labor disruption that plagued industry throughout 1975. Although there was no significant change in the total revenues of Belkin Packaging from the previous year, its net income after tax declined. The significant reasons for this decline can be attributed to a decrease in demand for some packaging products, due to excessive increases in customers' inventories, an inability to recover increased costs because of weaker market conditions and strikes occurring in all its manufacturing divisions. At September 30, 1975, the Folding Carton Division had been subjected to a strike for approximately six weeks and the Corrugated Container Division and the Paperboard Division had not operated for four weeks for the same reason. On October 10, 1975 all these Divisions resumed operations as a result of enactment of the Collective Bargaining Continuation Act of British Columbia, however, to date, the labor negotiations remain incomplete.

The estimated total cost of the expansion project at the Paperboard Division is \$25 million. The increased cost is largely due to a decision by the Directors to install additional equipment that will permit the machine presently under construction to run at 300 tons per day instead of 220 tons as originally contemplated. The Paperboard Division will there-

fore have an annual capacity of approximately 170,000 short tons.

Belkin Packaging has entered into an additional sales contract for a substantial portion of the new capacity generated by this project and has concluded an agency agreement for export sale of linerboard produced by its Paperboard Division. Anticipated sales under contracts and through existing markets and projected internal consumption are expected to account for most of the output of this Division after completion of the expansion. To date, the expansion project is generally on schedule with start-up expected by mid-1976.

It is difficult to predict with any degree of certainty operating and business conditions to be encountered in 1976. This difficulty is compounded by unresolved labor contracts and the introduction of the proposed Federal anti-inflation program. If the Anti-Inflation Bill introduced in the House of Commons on October 16, 1975 is passed, Belkin Packaging will be required to comply with price and profit margin and compensation guidelines issued under that legislation. With the introduction of this program and the existing depressed price levels on the domestic converting sector, Belkin Packaging is concerned about the inequities of price controls as they apply to that industry.

The Company's earnings for the year ended September 30, 1975 amounted to \$1,396,000, BC Sugar's 50 per cent interest being \$698,000. Under the circumstances, the results for this year should be considered satisfactory, and the Company is reasonably optimistic about continuing profitability in the future.

On behalf of the Board


Chairman.
Belkin Packaging Ltd.

October 31, 1975,
Vancouver, B.C.



Statement of Earnings

BC Sugar Refinery, Limited
and Consolidated Subsidiaries
Years ended September 30

(In Thousands of Dollars)

1975

1974

Revenues:

Sales	\$162,398	\$159,306
Investment income	78	134

Total Revenues

162,476	159,440
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Costs and expenses:

Cost of sales	128,598	127,240
Selling, general and administrative	12,674	11,161
Depreciation and amortization (Note 1)	2,712	2,110
Long-term debt interest	922	1,065
Bank and other interest	689	394

Total Costs and Expenses

145,595	141,970
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Income taxes (Note 1)

16,881	17,470
7,004	7,396

Minority interest in earnings of subsidiary

9,877	10,074
698	1,209

Net earnings

\$ 9,179	\$ 8,865
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Net earnings per common share

\$3.76	\$3.62
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Statement of Reinvested Earnings

(In Thousands of Dollars)

1975

1974

Balance, beginning of year

\$ 21,625	\$ 16,770
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Net earnings

9,179	8,865
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Dividends (Note 3)

30,804	25,635
4,966	4,010

Balance, end of year

\$ 25,838	21,625
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Statement of Changes in Financial Position

BC Sugar Refinery, Limited
and Consolidated Subsidiaries
Years ended September 30

(In Thousands of Dollars)

1975

1974

Working Capital Provided:

Net earnings	\$ 9,179	\$ 8,865
Add: Depreciation and amortization	2,712	2,110
Income taxes provided not currently payable	1,378	1,329
Minority interest in earnings of subsidiary	698	1,209

Total from operations	13,967	13,513
Increase in long-term debt	5,480	296

Total	19,447	13,809
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Working Capital Applied:

Investment in fixed assets	11,565	3,267
Payment of dividends		
Shareholders of the company	4,966	4,010
Minority shareholder of subsidiary company	585	315
Par value of preferred shares purchased in the open market	140	47
Increase in deferred charges	86	76

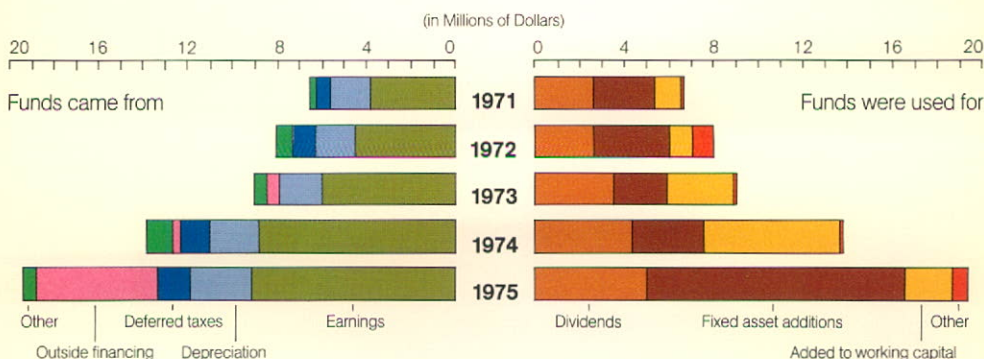
Total	17,342	7,715
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Increase in Working Capital	2,105	6,094
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Working Capital at beginning of year	21,940	15,846
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Working Capital at end of year	\$ 24,045	\$ 21,940
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Analysis of Changes in Financial Position



Balance Sheet

BC Sugar Refinery, Limited
and Consolidated Subsidiaries
September 30

(In Thousands of Dollars)

1975

1974

ASSETS

Current Assets:

Cash and short-term deposits	\$ 1,900	\$11,584
Accounts receivable	9,093	16,927
Income taxes recoverable	3,113	—
Inventories (Note 1)	24,544	36,982
Prepaid expenses	657	639
Total current assets	39,307	66,132

Fixed Assets, at cost (Note 1):

Property, buildings and equipment	74,976	63,573
Accumulated depreciation	(40,975)	(38,425)
Total fixed assets	34,001	25,148

Deferred Charges:

Bond discount and financing expenses, at cost less amortization	239	259
Deferred lease payments	448	342
Total deferred charges	687	601
Total	\$73,995	\$91,881

Auditors' Report

To the Shareholders

We have examined the balance sheet of BC Sugar Refinery, Limited and consolidated subsidiaries as at September 30, 1975 and the related statements of earnings, reinvested earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
November 5, 1975.

THORNE RIDDELL & CO.
Chartered Accountants.

LIABILITIES**Current Liabilities:**

Bank loans, secured	\$ 1,497	\$ 2,715
Accounts payable and accrued liabilities	11,948	33,974
Dividends payable	858	881
Income taxes payable	—	6,204
Current portion of long-term debt	959	418

Total current liabilities	15,262	44,192
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Long-Term Debt (Note 2)	15,920	10,440
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Income Taxes Provided not Currently Payable	5,866	4,488
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Minority Interest in Subsidiary	3,929	3,816
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Total	40,977	62,936
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SHAREHOLDERS' EQUITY**Share Capital:**

Authorized: 6,000,000 Common shares of no par value		
168,333 5% cumulative Preferred shares redeemable at par value of \$20		
Issued: 2,400,000 Common shares (Note 3)	4,000	4,000
159,000 Preferred shares (7,000 repurchased during 1975)	3,180	3,320
	7,180	7,320

Earnings Reinvested in the Business	25,838	21,625
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Total shareholders' equity	33,018	28,945
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Total	\$73,995	\$91,881
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Commitments (Note 6)

Approved on behalf of the Board:

F. Rogers, *Director*.

P. A. Cherniavsky, *Director*.

Notes to Financial Statements

BC Sugar Refinery, Limited
and Consolidated Subsidiaries
September 30, 1975

1. Significant Accounting Policies

Basis of presentation:

The financial statements include the accounts of the wholly-owned subsidiary company, The British Columbia Sugar Refining Company, Limited, and the partly-owned subsidiary company, Belkin Packaging Ltd.

Inventories:

Basic quantities of cane sugar are valued at the lower of replacement cost and cost on a LIFO (last-in, first-out) basis. Inventories of cane sugar in excess of basic quantities, and, other inventories, are valued at the lower of average cost and replacement. The LIFO basis of valuing cane sugar is not allowable for income tax purposes, and accumulated income taxes amounting to \$3,661,000 (\$6,970,000 in 1974) applicable to the resulting excess of taxable income over reported income are included as part of inventories in current assets.

Fixed assets:

Fixed assets are valued at cost which, for major expansions of the packaging operations after 1973, includes interest on funds borrowed during construction. Assets used in the sugar operations are depreciated on the diminishing-balance basis under the capital cost allowance provisions of the Income Tax Act at normal rates varying from 5% for buildings to 30% for mobile equipment. Assets used in the packaging operations (other than construction in progress) are depreciated on a straight-line basis at rates which reflect estimates of the economic lives of the various assets.

Income taxes:

The company follows the tax allocation method of accounting under which the provision for income taxes is based upon the earnings reported in the accounts. As a result of claiming for income tax purposes various incentive rates available under the capital cost allowance provisions of the Income Tax Act, income taxes provided in the Statement of Earnings include \$1,378,000 (\$1,329,000 in 1974) not currently payable.

2. Long-term debt

The British Columbia Sugar Refining Company, Limited:

9½% First Mortgage Sinking Fund Bonds, Series "A",
repayable \$541,000 in 1976, \$635,000 annually from
1977 to 1986, and \$610,000 in 1987

	1975	1974
	\$ 7,501,000	\$ 7,595,000

Belkin Packaging Ltd.:

Interim bank loan pending long-term financing (secured)
Term bank loan secured by chattel mortgage on
equipment, repayable in quarterly instalments of
\$62,500 with interest at 2% above prime
7.9% mortgage loan repayable \$168,000 annually

	7,883,000	1,350,000
	1,187,000	1,437,000
	308,000	476,000

	16,879,000	10,858,000
Less current portion	959,000	418,000
Total long-term debt	\$15,920,000	\$10,440,000

3. Shareholders' equity

The issued common shares at September 30, 1975 comprise:

Class A	1,979,944 shares
Class B	420,056 shares
Total issued common shares	2,400,000 shares

Class A and Class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes is that the directors may specify that cash dividends on Class B shares be paid out of tax-paid undistributed surplus on hand, with the result that Class B dividends so paid will be less than the Class A dividends by the amount of the 15% tax paid thereon by the company.

During the year the following dividends were declared:

Common shares	
Class A—	
\$2.00 per share	\$3,959,000
Class B—	
\$2.00 per share	
including 15% tax thereon	841,000
	4,800,000
Preferred shares—	
\$1.00 per share	166,000
Total dividends	\$4,966,000

4. Pensions

The company has a number of pension plans based on length of service and earnings, participation in which is available to substantially all employees. With respect to pension plans covering employees in the sugar operations, at September 30, 1975 pension plan assets were estimated to be adequate to fund pension benefits. With respect to pension plans covering employees in the packaging operations, actuarial estimates of the unfunded liability for past services amounted to \$500,000 at September 30, 1975, which amount is being provided for over the period 1976 to 1985.

5. Supplementary information

- Sales of Belkin Packaging Ltd. represented 19% of consolidated sales in 1975 (20% in 1974).
- In 1975 no remuneration was paid by the company to any of its directors or officers. However, the aggregate remuneration paid by a subsidiary company to the eight directors of the company as directors was \$13,000 and to its seven officers, four of whom are also directors, was \$529,000.
- Annual payments under leases in effect at September 30, 1975 are approximately \$570,000. The terms of the leases vary from five to thirty years.
- Certain comparative figures in the Balance Sheet have been reclassified to conform with the presentation adopted in the current year.

6. Commitments

Belkin Packaging Ltd. has commenced a \$25 million expansion of its Burnaby paper-board facilities of which approximately \$7 million has been expended to date.

Directors

(All residents of Vancouver, British Columbia)

F. Rogers,

Chairman of the Board of the Company

P. A. Cherniavsky,

President and Chief Executive Officer of the Company

I. Angus,

Vice-President of the Company

H. A. Dunlop,

Retired

W. R. C. Patrick,

Retired

J. W. Pitts,

President of Okanagan Helicopters Ltd.

H. R. Whittall,

Senior Executive Officer for British Columbia of Richardson Securities of Canada

F. C. Wilkinson,

President of Wilkinson Company Limited

Head Office:

Foot of Rogers Street, Vancouver, B.C.

Plants:

Beet sugar factories:

LOCATION	ERECTED	DAILY CAPACITY (METRIC TONS OF BEETS)
Picture Butte, Alberta	1936	2,300
Taber, Alberta	1950	4,000
Fort Garry, Manitoba	1940	2,800

Cane sugar refinery:

Located at Vancouver, daily capacity 680 metric tons of refined sugar

Belkin Packaging Ltd.

ANNUAL CAPACITY

Folding carton division, Richmond, B.C.

33,000 short tons

Corrugated container division, Richmond, B.C.

600,000,000 sq. ft.

Paperboard division, Burnaby, B.C.

170,000 short tons
(in 1976)

Shares Traded:

Toronto Stock Exchange

Vancouver Stock Exchange

Transfer Agent:

National Trust Company, Limited, Vancouver and Toronto
